

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

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INFO AMEMBASSY BONN

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AMEMBASSY DUBLIN

AMEMBASSY LONDON

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AMEMBASSY THE HAGUE

USMISSION GENEVA

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REF: A) EC BRUSSELS 3098

B) EC BRUSSELS 7170, DECEMBER 10, 1973

1. SUMMARY: THE DRAFT EC COUNCIL DIRECTIVE ON CREDIT INSURANCE AND FINANCING, THE ELEMENT OF THE EC AIRCRAFT POLICY POTENTIALLY THE MOST TROUBLESOME FOR US INDUSTRY, HAS BEEN WITHDRAWN FROM THE AIRCRAFT POLICY BECAUSE DIFFERENCES COULD NOT BE SETTLED BEFORE THE EC INDUSTRIAL COUNCIL SCHEDULED FOR JUNE 25. THE REMAINING TWO ELEMENTS, (A) A DRAFT EC COUNCIL RESOLUTION ON CONCERTED ACTION AND CONSULTATION, AND (B) A PERM REP SUGGESTION ON AIRCRAFT

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TARIFFS DO NOT, AS THEY NOW STAND, APPEAR TO POSE

AND IMMEDIATE SERIOUS PROBLEMS TO US COMMERCIAL INTERESTS.
THE TWO REMAINING ELEMENTS MAY BE ADOPTED BY THE JUNE 25
COUNCIL.
END SUMMARY.

2. ACCORDING TO COMMISSION AND PERM REP CONTACTS,
THE COMMISSION HAS AGREED TO WITHDRAW FOR LATER
DECISION THE DRAFT COUNCIL DIRECTIVE ON THE ADOPTION
OF COMMON PROVISIONS CONCERNING CREDIT INSURANCE,
FINANCING, AND PROTECTION AGAINST EXCHANGE RISKS
REGARDING EXPORTS TO THIRD COUNTRIES OF AIRCRAFT
AND ENGINES. IT WILL BE RECALLED THAT THE DRAFT
DIRECTIVE WAS ONE OF THREE PROPOSALS MAKING UP THE
MOST RECENT VERSION OF THE EC AIRCRAFT POLICY.

3. THE TWO ELEMENTS WHICH STILL REMAIN IN THE
AIRCRAFT POLICY ARE A) A DRAFT COUNCIL RESOLUTION
ON CONCERTED ACTION AND CONSULTATION AND B) A
PERMANENT REPRESENTATIVE COMMITTEE NOTE SUGGESTING
THAT THE COUNCIL INCLUDE AIRCRAFT, AIRCRAFT ENGINES
AND PARTS IN THE NEGOTIATING DIRECTIVE IT GIVES
THE COMMISSION FOR THE UPCOMING MULTINATIONAL TRADE
NEGOTIATIONS. (SEE REFTEL A AND THE LATEST VERSION
OF THE EC AIRCRAFT POLICY FORWARDED TO THE DEPART-
MENT EUR/RPE ON MAY 3).

4. THE DRAFT COUNCIL RESOLUTION REQUIRES THE EX-
CHANGES OF INFORMATION ON NATIONAL CIVIL AIRCRAFT
PROGRAMS AND ENCOURAGES "JOINT" PROGRAMS, MERGERS
OF AIRCRAFT COMPANIES AND RECOMMENDS IN THE CASE
OF "JOINT" PROGRAMS THAT MEMBER STATES STUDY THE
POSSIBILITIES OF GRANTING AND HARMONIZING AID. IT
ALSO NOTES THAT TO BE COMPETITIVE THE FIXING AND
MAINTAINING OF COMPETITIVE PRICES ARE REQUIRED.
THE GERMANS AND OTHER MEMBER STATES HOLD THAT IT
IS UP TO THE INDUSTRY, NOT GOVERNMENTS, TO OFFER
AIRCRAFT AT COMPETITIVE PRICES (SEE REFTEL A, PARA 2).
ALTHOUGH WE DO NOT KNOW HOW THE RESOLUTION WILL
LOOK AFTER REDRAFTING, IF IT IS SIMILAR TO THE
PRESENT VERSION, THE ONLY EVIDENT PROBLEM IT POSES
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IS TO PLACE THE MEMBER STATES IN CLOSER CONTACT,
IN WHICH THEY MAY BE TEMPTED BY THE SIREN SONGS OF
FRANCE IN FAVOR OF GREATER NATIONAL GOVERNMENT
AIDS TO THE INDUSTRY.

5. THE DRAFT DIRECTIVE, WHICH HAS BEEN SHELVED FOR
THE MOMENT, WAS THE POTENTIALLY MOST OBJECTIONABLE
PART OF THE POLICY. ALTHOUGH EXPORT CREDITS AND

FINANCIAL GUARANTEES WOULD HAVE BEEN LINED UP WITH HARMONIZATION AGREEMENTS ON AIRCRAFT FINANCING, WHICH WE UNDERSTAND ARE BEING WORKED OUT IN THE OECD, THE DIRECTIVE DID CONTAIN A PROVISION CALLING FOR MEMBER STATES INVOLVED IN "JOINT" PROGRAMS TO EXAMINE METHODS TO PROVIDE PROTECTION AGAINST EXCHANGE RISKS.

6. WE UNDERSTAND THAT THE DRAFT DIRECTIVE WAS SHELVED BECAUSE THE FRENCH WOULD NOT WITHDRAW THEIR DEMAND FOR GOVERNMENT GUARANTEES OF COMPETITIVE EXPORT PRICES (PROTECTION AGAINST COST ESCALATION) FOR "JOINT" AIRCRAFT PROGRAMS. IT WAS FELT THAT THE ISSUE COULD NOT BE RESOLVED BEFORE THE COUNCIL OF MINISTERS MEETING DEVOTED TO INDUSTRIAL POLICY ISSUES WHICH IS SCHEDULED FOR JUNE 25.

7. THE BRITISH STILL OBJECT TO THE PHRASING OF THE CONSULTATION REQUIREMENTS OF THE DRAFT COUNCIL RESOLUTION. (THE LABOR GOVERNMENT VIEWS MANDATORY EC CONSULTATION ON NATIONAL PROGRAMS AS AN INVASION OF NATIONAL SOVEREIGNTY). THE RESOLUTION IS NOW BEING REDRAFTED TO TRY TO MEET BRITISH CONCERNS. THERE IS OPTIMISM THAT WITH THE DIRECTIVE DROPPED AND THE RESOLUTION MODIFIED, THE AIRCRAFT POLICY, IN ITS VERY WATERED-DOWN FORM, CAN GET COUNCIL APPROVAL ON JUNE 25.

8. THE DEPARTMENT MAY WISH TO COMPARE THE EC AIRCRAFT POLICY, AS IT NOW STANDS WITH THE DECLARATION OF THE EUROPEAN AIRCRAFT INDUSTRY. (SEE PARIS 27567, OCTOBER 24, 1973. THE DOCUMENT WAS SUBMITTED TO EUR/RPE, ATTN. MEIMA ON OCTOBER 29, LIMITED OFFICIAL USE

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1973). THE POLICY IS A LONG WAY FROM THE DESIRES OF THE EUROPEAN AIRCRAFT INDUSTRY. GREENWALD

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